

Storm Sewer Operating Fund

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T*o provide for the acquisition, reconstruction, maintenance, and operation of the Storm Sewer system. Services provided through this fund are:*

- *Storm sewer maintenance and administration; and*
- *Storm sewer improvements*

Storm Sewer Operating Fund

Budget Summary

	2003-2004 Adopted	2004-2005 Adopted	Change
Storm Sewer Maint. and Admin.	\$ 12,793,948	\$ 13,008,574	1.7%
Storm Sewer Improvements	\$ 1,853,000	\$ 2,528,000	36.4%

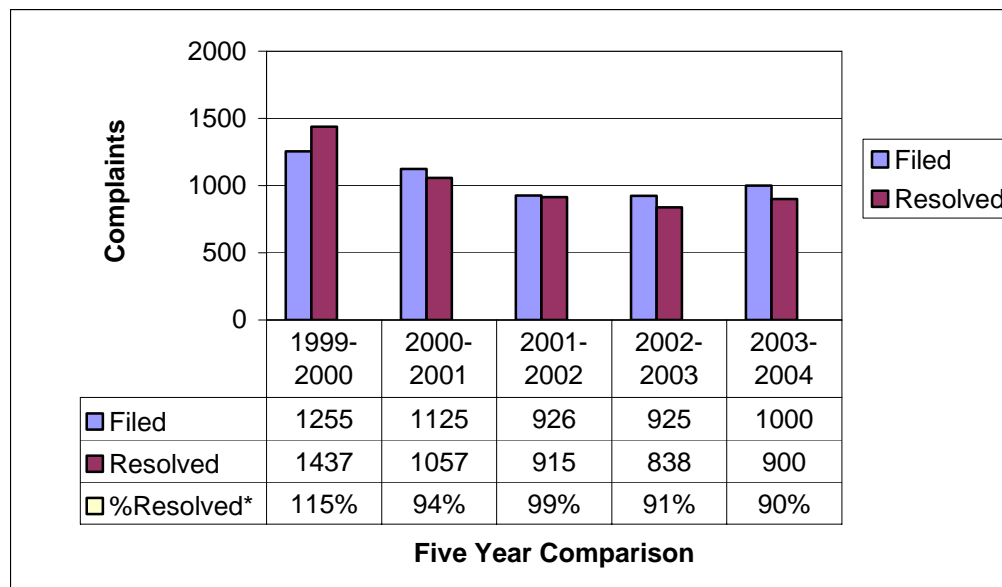
Budget Highlights 2004-2005

❑ The third year of a previously Council-approved multi-year rate increase strategy will increase Storm Sewer Service Charge rates by 4.5% for 2004-2005, to provide adequate funding to operate the storm sewer system and to maintain a modest capital improvement program.

❑ For 2004-2005, funding for the Storm Sewer capital improvement program has increased by 36% over 2003-2004 levels as efficiency savings in program administration are realized, rates are increased, and funds are transferred to complete additional infrastructure improvements to the storm sewer system.

Budget Byte

Urban Runoff Program Illicit Connection and Illegal Dumping Enforcement



* % Resolved may be greater than 100% due to cases opened in previous years

Storm Sewer Operating Fund

Fund Overview

The Storm Sewer Operating Fund was established to improve the quality of the City's storm and surface water runoff and to meet the costs of the increasing Federal, State, and regional regulatory requirements. Expenditures in the Storm Sewer Operating Fund support Pollution Control, System Maintenance and Operations, Storm Sewer Improvements, and Administrative Services. In order to protect water quality in local streams and the South San Francisco Bay, the National Pollutant Discharge Elimination System (NPDES) Storm Water permit requires the City to implement pollution prevention activities and controls to prevent pollutants from entering the storm sewer collection system.

In 1994-1995, the Storm Sewer Capital Fund was created to differentiate costs for capital storm sewer system improvements. Each year, monies are transferred from the Storm Sewer Operating Fund to the capital fund to fund these improvements. Virtually all of the Storm Sewer Operating Fund's revenue is generated by fees collected from residents and businesses.

In 1998, the City hired a consultant to develop a rate structure that would more equitably distribute costs among the properties served by the system. In 1999, City Council adopted a new rate structure that includes charges for all properties served by the storm sewer system and is related to characteristics of storm water discharge. Rates are based on the relative quality and quantity of storm water runoff contributed by residential, commercial and industrial properties.

When rates were restructured in 1999, the City Council directed rates to be set at a level that yielded no increase in revenue over the prior year. As a result, single family

residential fees decreased by 15%, from \$47.40 to \$40.48. Rates for other residential categories dropped similarly. In June 2002, a multi-year rate strategy with an increase of 4% in 2002-2003 and 4.5% for the next two years was approved by City Council in order to provide funding for a minimal Storm Sewer capital improvement program. For 2004-2005, implementation of the third and final year of this rate increase strategy was approved, increasing Storm Sewer Service rates on average by 4.5%, raising the average annual single-family residential rate by \$1.93 from \$43.92 to \$45.85.

Long range projections do indicate that without additional rate increases in the years after this third and final installment of the first planned series, there will be inadequate funding available in future years to transfer from the Storm Sewer Operating Fund to fund even the current modest capital improvement program. Therefore, to continue a modest investment in the capital infrastructure and ensure the fiscal health of the Storm Sewer Operating Fund, an additional three-year 4.5% rate increase from 2005-2006 to 2007-2008 will likely be brought forward for Council consideration next year. If this increase is approved, additional capital projects would be incorporated into the Storm Sewer capital improvement program.

In 2003-2004, an expanded parking enforcement program on street sweeping days was initiated in order to increase the effectiveness of street sweeping in areas with greater than 50% parking impacts on sweep days. For 2004-2005, a second year of funding will continue to expand the parking enforcement program into additional impacted neighborhoods. It is anticipated that the increased parking enforcement will significantly increase the efficiency of the revised street sweeping program.

Storm Sewer Operating Fund

Fund Overview (Cont'd.)

In order to provide relief to the General Fund, a shift in the Department of Transportation in the amount of \$200,000 for costs related to storm fighting was deemed appropriate and approved for 2004-2005.

The current five-year NPDES Storm Water permit was approved in February 2001, but strict requirements for new development and redevelopment were added in October 2001 and became effective in October 2003. The Departments of Public Works, Environmental Services, and Planning, Building and Code Enforcement have been working together to address these additional requirements and will continue to augment or develop the steps needed to expand implementation as required in the permit.

Total expenditures for pollution control efforts related to the NPDES permit have been held relatively level despite the implementation of new requirements under the permit. For example, enforcement programs operated by the Environmental Services Department have expanded to provide adequate coverage of construction sites while still maintaining inspection levels at

industrial and commercial business sites and preparing to implement inspections for structural best management practices installed on new development projects. The additional costs for staffing have been more than offset by savings achieved in the change of street sweeping frequency to once per month that was approved as part of the 2003-2004 Adopted Operating Budget. With respect to San José's financial contribution to the Santa Clara Valley Urban Runoff Pollution Prevention Program, the level of participation will be held steady for 2004-2005 for the second year in a row despite increased permit fees imposed by the State.

The Departments of Environmental Services, Public Works, and Transportation are primarily responsible for maintenance of the storm sewer system, as well as for construction and pollution prevention activities. Together, these departments are responsible for the management of the Storm Sewer Operating and Capital funds. Other department activities, such as those of General Services and Planning, Building & Code Enforcement are also affected by the storm water permit requirements.

Fund Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Adopted 3	% Change (2 to 3)
Dollars by Sources				
Beginning Fund Balance	\$ 3,612,592	\$ 2,946,417	\$ 3,111,446	5.6%
Assessments	13,164,005	13,703,585	14,469,595	5.6%
Interest and Other	280,083	90,500	80,500	(11.0%)
Total	\$ 17,056,680	\$ 16,740,502	\$ 17,661,541	5.5%
Dollars by Uses				
Storm Sewer Maint. & Administration	\$ 11,737,177	\$ 12,793,948	\$ 13,008,574	1.7%
Storm Sewer Improvements	1,250,000	1,853,000	2,528,000	36.4%
Ending Fund Balance	4,069,503	2,093,554	2,124,967	1.5%
Total	\$ 17,056,680	\$ 16,740,502	\$ 17,661,541	5.5%

Storm Sewer Operating Fund

Budget Category: Storm Sewer Maintenance and Administration

Budget Category Overview

This category of program costs includes funding for Storm Sewer System Maintenance, Pollution Control, and Administrative Services. System Maintenance is performed by the Transportation and Public Works Departments to repair damaged storm sewer pipes and maintain the system infrastructure. The Pollution Control category

includes the cost of efforts to ensure City compliance with the NPDES Storm Water Permit requirements. Administrative Services includes support services provided by various City departments, overhead to the General Fund, fees charged by the County for collecting assessments, and loan repayments.

Budget Category Summary

Storm Sewer Maintenance and Administration	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Adopted 3	% Change (2 to 3)
System Maintenance	\$ 2,360,382	\$ 2,426,180	\$ 2,680,063	10.5%
Pollution Control	7,819,264	8,645,157	8,515,996	(1.5%)
Administrative Services	1,557,531	1,722,611	1,812,515	5.2%
Total	\$ 11,737,177	\$ 12,793,948	\$ 13,008,574	1.7%

Three major factors impact the costs of programs supported by this fund: 1) aggressive pollution control programs mandated by the City's NPDES Storm Water permit; 2) the increasing age of the storm sewer system, which results in higher maintenance costs and a growing need for replacement and rehabilitation; and 3) the extent of the system's growth due to new development construction.

During 2003-2004, the City's Finance Department completed the storm sewer audit started in 2002-2003 using the orthographic database. As a result, total revenue received increased by \$73,000.

Storm Sewer Operating Fund

Budget Category: Storm Sewer Maintenance and Administration

Budget Category Summary (Cont'd.)

The following changes were approved in 2004-2005 in the System Maintenance, Pollution Control, and Administrative Services allocations:

Adopted Allocation	2003-2004 Adopted	Change	2004-2005 Adopted
System Maintenance	\$ 2,426,180	\$ 253,883	\$ 2,680,063
The change in the System Maintenance program results from the realignment of storm fighting expenses from the General Fund (\$200,000), staffing realignments in the Department of Transportation (\$15,357), and changes in benefits costs in the Departments of Transportation, Public Works, and General Services (\$38,526).			
Pollution Control	8,645,157	(129,161)	8,515,996
The change in the Pollution Control program results from realizing savings in the residential street sweeping program as a result of the Council-approved (2003-2004 Adopted Operating Budget) change in frequency from twice to once monthly (\$503,000); the elimination of one-time funding in the Environmental Services Department for work associated with data collection for Mercury Total Maximum Daily Loads (\$200,000), analysis for the Storm Water Flush Pilot Study (\$100,000), pollution prevention outreach (\$65,000), video conferencing (\$20,000); and staffing changes and efficiencies in the Environmental Services Department (\$54,214). These savings are partially offset by the expansion of street sweeping enforcement and staffing realignments in the Department of Transportation (\$131,431), the rebudget of unexpended 2003-2004 funds in the Environmental Services Department for the pesticide use tracking system (\$40,000), and benefits cost increases in the Department of Transportation, Environmental Services Department, and Department of Planning, Building, and Code Enforcement (\$641,622).			
Administrative Services	1,722,611	89,904	1,812,515
The change in the Administrative Services program results from increased overhead costs (\$68,886), higher fees associated with the collection of revenues by the County of Santa Clara (\$5,000), Civic Center start up costs (\$2,748), and benefits increases in the Information Technology Department (\$13,270).			
Total Storm Sewer Maintenance and Administration	\$ 12,793,948	\$ 214,626	\$ 13,008,574

Storm Sewer Operating Fund

Budget Category: Storm Sewer Improvements

Budget Category Overview

The Storm Sewer Improvements Program consists of capital projects designed to construct storm sewer systems to convey surface runoff in the City's Urban

Service Area to adjacent stream channels and to enhance existing storm sewer capacity and improve operations.

Budget Category Summary

	2002-2003 Actual 1	2003-2004 Adopted 2	2004-2005 Adopted 3	% Change (2 to 3)
Storm Sewer Improvements				
Transfer to Capital Fund for Storm Sewer Improvements	\$ 1,250,000	\$ 1,853,000	\$ 2,528,000	36.4%
Total	\$ 1,250,000	\$ 1,853,000	\$ 2,528,000	36.4%

The following changes were approved in 2004-2005 in the Transfer to Capital Fund for Storm Sewer Improvements allocation:

Adopted Allocation	2003-2004 Adopted	Change	2004-2005 Adopted
Transfer to Capital Fund for Storm Sewer Improvements	\$ 1,853,000	\$ 675,000	\$ 2,528,000

Storm Sewer Improvements funding is transferred from the Storm Sewer Operating Fund to the Storm Sewer Capital Fund to support improvements to the existing storm sewer system. For 2004-2005, an increase to this transfer in the amount of \$675,000 was approved. Included in this amount is \$500,000 approved for storm pump station replacements and rehabilitation.

Total Storm Sewer Improvements	\$ 1,853,000	\$ 675,000	\$ 2,528,000
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